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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EINV](#) [TI](#)
SUBJECT: TAJIKISTAN: AMBASSADOR'S SPEECH ON ECONOMIC REFORM AND
FOREIGN INVESTMENT

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¶1. At the invitation of the Strategic Research Center (SRC) of the President of Tajikistan, the Ambassador delivered a speech March 31 at a business conference in Dushanbe. Participants included government officials and private business people. The venue was especially influential because the SRC is the think tank charged with developing policy recommendations for the Tajik government. The give and take during the discussion periods was unfettered, with the private sector freely criticizing the government and calling for new laws and regulations and better implementation of existing laws.

¶2. Embassy Dushanbe delivered a copy of the Ambassador's speech to the government in advance, and distributed copies in English, Russian, and Tajik to the conference participants. Public Affairs Section released the text electronically, and we expect the next news cycle to publish the full text of the speech.

¶3. Begin text:

BUSINESS IN TAJIKISTAN: A FEW SUGGESTIONS FOR GROWTH AND STABILITY

I want to tell you from the very beginning that I firmly believe Tajikistan is a remarkable success story. In the 1990s, it suffered a double blow. In 1991, at independence, it lost nearly all the financial support from Moscow it had previously received as a Soviet Socialist Republic. And then for much of the rest of the decade, it was torn apart by the catastrophe of civil war. Now, in 2006, it is well on its way not just to recovery but to prosperity. Yes, there is a long way to go, but the signs are increasingly visible.

In the nearly three years I have had the privilege to serve as U.S. Ambassador in Dushanbe, I have seen real change. Real positive change. By the end of my first year here, I noticed much more traffic on the streets, including many new European and Japanese cars. During my second year, I observed shop-fronts being renovated and many new businesses opening. Also, during my second year, I watched with amazement the explosion of residential construction. Not just the high-profile "mini-mansions" (and many not so "mini"), but also modest homes and apartments being remodeled. In my third year now, I see major commercial construction - large new office buildings and at least two five-star hotels, as well as new factories.

None of this kind of growth happens by accident. It requires leadership and good economic policies. I remember listening very closely to President Emomali Rahmonov's 2004 speech to parliament, which many called "The Reform Speech." With advice and collaboration from many international donors, including the United States, the banking and financial sectors have been making the kinds of reforms that are making Tajikistan an increasingly attractive place for direct foreign investment.

People often ask me, "Why doesn't the United States invest in Tajikistan?" Though not very well known, there already is U.S. private investment here, in telecommunications, mining, and manufacturing. But I will be the first to tell you it isn't nearly enough. I want much, much more.

Before I tell you what we have been doing to attract U.S. investment, let me explain, once again, that the United States Government does not have state enterprises that can be ordered to invest for geopolitical purposes, nor can we tell our private investors where and how to invest. Nor do our businesses make "back-room deals" with the special interests that already

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control too much of the economy here and stunt the broader growth of entrepreneurship. What we as a government do is help our private investors learn about the opportunities in Tajikistan.

To that end, during the past two years, our Trade and Development Agency has provided major grants to write U.S. government reports about investment opportunities in six different sectors of the Tajik economy (three of them in just the last two months): telecommunications, transportation, energy, mining, agribusiness, and hydropower.

We are already seeing results from these reports for American businesses. A major U.S. corporation is negotiating with the Ministry of Energy to build the high-tension power lines that will allow Tajikistan to export its excess electricity. And another U.S. company would like to rebuild the Varzob Cascades project. In October, Secretary of State Condoleezza Rice announced the Infrastructure Integration Initiative for Greater Central Asia. We will work closely with International Financial Institutions, other donors, and the private sector to promote hydroelectric, road-building, telecommunications, and other projects. I am certain during the next year or two you will find many more U.S. businesses that will want to invest in Tajikistan. You have built the foundation, we are doing our part, and U.S. investors will come, driven by a large number of Tajik business men and women, not just by a small number of privileged insiders.

While investment is now coming into Tajikistan from a number of countries for large projects, the real basis for growth and enduring prosperity is small and medium businesses. Fully 60 percent of the U.S. multi-trillion-dollar economy is based on small and medium businesses. Tajik investors need the conditions that will encourage them to start and to grow their businesses. Although much work has been done on economic reform, I would like to make three suggestions that, if implemented, would create the conditions for broader, deeper,

and more sustainable economic growth.

First, it is time to complete the reforms that have already begun at TojikStandart. Despite much progress, much remains to be done. Business people need transparent rules to follow. But the new "List of Goods and Services Subject to Mandatory Certification," and the fees for certification of compliance, have neither been approved by the government nor registered by the Ministry of Justice. The existing list has never been published in the mass media. It is not available in any legal database. It is not even available on request. You would think it's a state secret! Experts who have been permitted to see the list say that it includes nearly 2,000 types of products, and is at least 15 years out of date. Some argue that the list is necessary to protect people from low-quality goods. But because it is non-transparent and out of date, it discourages small retailers, and, in fact, encourages the culture of corruption.

Second, it is time for radical reform of the Tajik Universal Commodity Exchange. A 2001 government resolution mandated that selected products be sold through the Exchange. The initial goal of this resolution was positive, to promote domestic goods in foreign markets. But the real effect has been to inhibit competition, add another layer of bureaucratic control over private business, and increase the possibilities for corruption.

Third, it is time to finish writing and to publish the implementing regulations for the new tax code of January 2005. Until that happens, every tax inspector is free to interpret the

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tax code as he sees fit. And everyone knows what that means. More corruption.

What is the common theme in these three recommendations? If you limit government interference in business, and if you level the playing field with clear rules for all, businesses will grow, trade and commerce will flourish, the tax base will deepen so that the government can afford increasingly higher wages and social-sector support, and corruption will decrease.

Is there a role for government in business, in trade and commerce? Absolutely. It's a regulatory role. Responsible governments create independent regulatory bodies that protect consumers, promote competition, and ensure fair rules for all.

I'd like to give you an example of how the wrong kind of regulation can be harmful. The Tajik Ministry of Telecommunications has proposed implementing a "single telecom gateway" that would be a transit point for all telecom operators of any kind, including mobile operators, all international long-distance traffic, Internet, and other data transfer. No other country in the world has ever done this. Some, like Uzbekistan and Russia, have considered it, but in the end rejected the concept.

Some have argued that a single gateway is necessary to bring "gray traffic" under control - that is, to "capture" those telecom operators who evade government fees and taxes. But, in fact, information technology has become so sophisticated that there will always be smart technicians who will be able to evade the "single gateway." To solve the "gray traffic" problem, it would be much better to use market forces and well structured interconnect agreements, as was recently agreed in Afghanistan. That would be a legitimate role for an independent telecommunications regulatory body.

A "single gateway" can have unintended negative consequences. One real concern is that call quality and data transmission capacity could suffer because of the extra switching that a "single gateway" would require. Another consequence should be obvious - a technical breakdown of the "single gateway" would isolate the entire country until it is repaired. Even if the breakdown would be for a relatively short period, commercial and financial sectors would suffer, and even national security could be in jeopardy. Also, a "single gateway" would have the

potential to reduce competition if an aggressive client bribed the "gate keeper" to limit access by competitors. The government's goal should be to decrease opportunities for corruption, not create new opportunities.

A lot really comes down to the issue of corruption, doesn't it. President Rahmonov has said he is serious about decreasing corruption in Tajikistan. And yet it can never be "talked away" or "ordered away." The government can help the president by legislating sensible business regulations that are fair for all, fairly implemented, and enforced by independent and impartial courts. When that is done, not only will corruption decrease, but also the economy will grow. And, in fact, the economy will grow even faster, because foreign investors will then look more favorably on Tajikistan. The "golden rule" of the global economy is that capital goes where it is welcome and stays where it is fairly treated according to international standards.

As I said at the beginning, my government and I have been working hard to educate American businesses about the opportunities in Tajikistan. I am certain that if Tajikistan stays on the path of economic reform, and accelerates the pace

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of economic reform, including land reform for the 70 percent of the population that lives by agriculture, you will soon see more American investors here than anyone would ever have imagined. Yes, our system and its processes are slow. Sometimes it seems as if all we ever do is "talk" but never "act." But I assure you that our deliberate pace leads to long-term results.

I will close by saying, as I have in the past, I am optimistic about Tajikistan. With my own eyes, I have seen impressive progress in three years. I am convinced prosperity will continue to grow. Prosperity is a "fertilizer" for democratic evolution. In the end, prosperity and democracy will be the twin guarantors of Tajikistan's long-term stability.

Thank you for your attention.

End text.
HOAGLAND